

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2002-210-W/S - ORDER NO. 2002-823
DECEMBER 5, 2002

IN RE: Application of Daufuskie Island Properties,)
 LLC for Approval of the Transfer of Stock)
 Ownership of Melrose Utility Company, Inc.)
 to Daufuskie Island Properties, LLC.)

ORDER APPROVING
TRANSFER OF STOCK
OWNERSHIP

This matter comes before the Public Service Commission of South Carolina ("Commission") on the application filed by Daufuskie Island Properties, LLC seeking approval of the transfer of stock ownership of Melrose Utility Company, Inc. to Daufuskie Island Properties, LLC.

Pursuant to instructions from the Commission's Executive Director, Daufuskie Island Properties, LLC provided public notice of the application through the publication of a prepared Notice of Filing in newspapers of general circulation and by mailing a copy of the Notice of Filing to each and every current customer of Melrose Utility Company, Inc. No letters of protest, petitions to intervene, comments, or objections were filed concerning the application. Thereafter, Daufuskie Island Properties, LLC petitioned the Commission for expedited consideration of the application for approval of the transfer of stock ownership of Melrose Utility Company, Inc. to Daufuskie Island Properties, LLC. After filing the petition seeking expedited consideration of the application, Daufuskie Island Properties, LLC filed the verified testimony John F. Dixon, a principal in Capital

Concepts and a manager, along with his brother William R. Dixon, Jr., in Daufuskie Island Properties, LLC.

As no objections, protests, or petitions to intervene were received by the Commission regarding the instant application, the Commission finds it appropriate to consider the application on an expedited basis. Therefore, the Commission will base its decision on the record before it consisting of the application and verified testimony of John F. Dixon.

FINDINGS OF FACT

1. Daufuskie Island Properties, LLC is a limited liability company organized and existing under the laws of the State of Delaware and was issued a Certificate of Formation on May 13, 2002. On May 28, 2002, Daufuskie Island Properties, LLC received a Certificate of Authorization, which authorizes Daufuskie Island Properties, LLC to transact business in South Carolina, from the South Carolina Secretary of State.

2. Melrose Utility Company, Inc. is a corporation organized and existing pursuant to the laws of the State of South Carolina. The general nature of business of Melrose Utility Company, Inc. is to provide “general utility services on Daufuskie Island, Beaufort County, South Carolina.”

3. Melrose Utility Company, Inc. is one hundred percent (100%) owned by Melrose Asset Corp., a South Carolina corporation, and Melrose Asset Corp. has entered into a Stock Purchase Agreement wherein Melrose Asset Corp. has agreed to sell one hundred percent (100%) of the outstanding stock of Melrose Utility Company, Inc. to Daufuskie Island Properties, LLC.

4. The Stock Purchase Agreement between Melrose Utility Company, Inc. and Daufuskie Island Properties, LLC is part of a more global purchase and sale of assets, including golf courses, improvements, undeveloped property, etc., owned by Daufuskie Club, Inc. and located on Daufuskie Island. A part of the overall transaction involves the proposed transfer of the ownership interest in Melrose Utility Company, Inc.

5. Melrose Utility Company, Inc. is a public utility as defined in S.C. Code Ann. Section 58-5-10(3) (Supp. 2001). Melrose Utility Company, Inc. was granted approval to operate a water and wastewater utility by Commission Order No. 87-1060, Docket No. 86-392-W/S. Melrose Utility Company, Inc. provides water and sewer services to residential and commercial customers, as well as water services for landscaping and golf course irrigation.

6. The service area of Melrose Utility Company, Inc. includes Daufuskie Island areas bounded by New River, Morgan Creek, Ramshorn Creek Cooper River Intracoastal Waterway, and the Calibogue Sound. The subdivisions or tracts in Melrose Utility Company, Inc.'s service area are Bloody Point, Oak Ridge Tract, Melrose, Haig Point, and Webb Tract.

7. Daufuskie Island Properties, LLC intends to operate the water and sewer systems under the schedules of rates and charges and the tariffs and regulations as presently approved by the Commission for Melrose Utility Company, Inc.

8. Daufuskie Island Properties, LLC has relied and will rely upon the current personnel operating Melrose Utility Company, Inc. Further, Daufuskie Island Properties,

LLC advises the Commission through its managers that it will continue to hire and retain personnel at the utility with substantial experience in operating such utilities.

CONCLUSIONS OF LAW

Based upon the above-stated Findings of Fact, the Commission makes the following conclusions of law:

1. Pursuant to 26 S.C. Code Regs. 103-704 (Supp. 2001), which provides in relevant part that “[n]o existing public utility supplying water to the public ... shall hereafter sell, acquire, transfer, begin the construction or operation of any utility system, or of any extension thereof, by the sale of stock or otherwise, without first having obtained from the [C]ommission a certificate that the sale, transfer or acquisition is in the public interest ...” and 26 S.C. Code Regs. 103-504 (Supp. 2001) which contains for sewer utilities substantially the same conditions as 26 S.C. Code Regs. 103-704 does for water utilities, Daufuskie Island Properties, LLC must obtain the approval of the Commission for a certificate approving the stock transfer as being in the public interest.

2. Upon examination of the record, the Commission concludes the sale of 100% of the stock in Melrose Utility Company, Inc. to Daufuskie Island Properties, LLC by Melrose Asset Corp. to be in the public interest. The record reveals that Melrose Asset Corp. has sold all of its other assets on Daufuskie Island and will no longer have any other interests on Daufuskie Island. On the other hand, Daufuskie Island Properties, LLC has purchased certain assets on Daufuskie Island and has a real interest in maintaining and operating Melrose Utility Company, Inc. for the benefit of those developments. Thus, Daufuskie Island Properties, LLC has substantial motivation in the success of Melrose

Utility Company, Inc. and that motivation will benefit the customers served by Melrose Utility Company, Inc.

IT IS THEREFORE ORDERED THAT:

1. The transfer of 100% of the stock in Melrose Utility Company, Inc. to Daufuskie Island Properties, LLC by Melrose Asset Corp. is in the public interest
2. The application filed by Daufuskie Island Properties, LLC seeking approval of the transfer of stock ownership of Melrose Utility Company, Inc. to Daufuskie Island Properties, LLC is approved.
3. Upon consummation of the stock purchase, Daufuskie Island Properties, LLC shall operate the water and sewer systems formerly owned by Melrose Utility Company, Inc. under the schedules of rates and charges and the tariffs and regulations as presently approved by the Commission for Melrose Utility Company, Inc.
4. Daufuskie Island Properties, LLC. shall file with the Commission appropriate bonds as required by S.C. Code Ann. Section 58-5-720 (Supp. 2001).

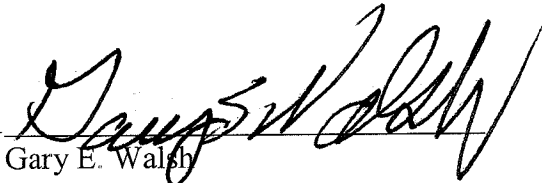
5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Mignon L. Clyburn
Chairman

ATTEST:



Gary E. Walsh
Executive Director

(SEAL)